

TOWNSHIP OF WHITE PIGEON
ST. JOSEPH COUNTY, MICHIGAN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name WHITE PIGEON TOWNSHIP	County ST. JOSEPH
Audit Date 6/30/05	Opinion Date 12/6/05	Date Accountant Report Submitted to State: 12/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

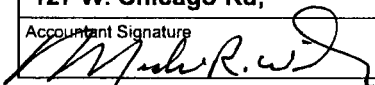
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.			
Street Address 127 W. Chicago Rd,		City Sturgis	State MI
Accountant Signature  CPA		ZIP 49091	Date 12/30/05

TOWNSHIP OF WHITE PIGEON

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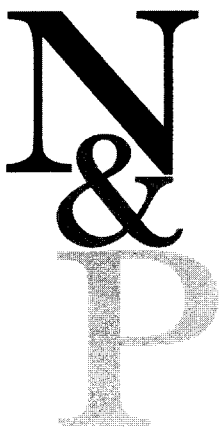
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of White Pigeon
St. Joseph County, Michigan

Norman & Paulsen, P.C.

Certified Public Accountants

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Rick L. Strawser, CPA
Jerrold T. Norman (1941-1982)

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of White Pigeon, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of White Pigeon management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of White Pigeon, Michigan, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 1 to the financial statements, the Township of White Pigeon adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of July 1, 2004.

December 6, 2005

Norman & Paulsen, P.C.

TOWNSHIP OF WHITE PIGEON

MANAGEMENT' S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of White Pigeon financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township's overall financial position increased by \$48,224 during the fiscal year ended June 30, 2005, which represents 3 percent of the net asset position at the beginning of the year.

The Township's Governmental Funds reflected a total fund balance at June 30, 2005 of \$643,440, which was an increase of \$24,080 from the prior year end.

The total Governmental Fund expenditures for the year ended June 30, 2005, amounted to \$575,430, of which \$242,983 (42 percent) was for general government; \$98,291 (17 percent) was for public safety; and \$169,156 (29 percent) was for debt service.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

TOWNSHIP OF WHITE PIGEON

MANAGEMENT' S DISCUSSION AND ANALYSIS

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

(dollars presented in thousands)

	<u>Governmental Funds</u>	
	<u>2005</u>	<u>2004</u>
Assets	\$ 657	\$ 626
Liabilities	14	7
Fund Balances		
Reserved	212	185
Unreserved	<u>431</u>	<u>434</u>
Total Fund Equity	<u>\$ 643</u>	<u>\$ 619</u>

The following table shows, in a condensed format, the net assets of the current date as required by GASB 34 stated under the full accrual basis. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

(dollars presented in thousands)

	<u>Governmental Activities</u>
Current and other assets	\$ 657
Capital assets	<u>1,621</u>
Total assets	2,278
Long-term debt outstanding	741
Other liabilities	<u>22</u>
Total liabilities	763
Net assets	
Invested in capital assets, net of related debt	880
Restricted	203
Unrestricted	<u>432</u>
Total net assets	<u>\$ 1,515</u>

TOWNSHIP OF WHITE PIGEON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds	
	2005	2004
Revenue		
Taxes	\$ 341	\$ 330
Licenses and permits	24	22
State grants	153	149
Charges for services	43	46
Interest	8	7
Other	30	27
Total revenue	599	581
Expenditures		
General government	244	212
Public safety	98	98
Public works	6	22
Community development	26	8
Recreation and culture	7	6
Capital outlay	25	186
Debt service	169	170
Total expenditures	575	702
Excess (deficiency)	\$ 24	\$ (121)

TOWNSHIP OF WHITE PIGEON

MANAGEMENT' S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net assets as of the current date as required by GASB 34 stated under the full accrual basis of accounting. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

(dollars presented in thousands)

	<u>Governmental Activities</u>
Revenues	
Program revenues	
Charges for services	\$ 79
Operating grants and contributions	3
Capital grants and contributions	-
General revenues	
Property taxes	341
State shared revenues	150
Unrestricted investment earnings	7
Miscellaneous	<u>19</u>
Total revenues	599
Expenses	
General government	268
Public safety	197
Public works	6
Recreation and culture	7
Community development	26
Interest on long-term debt	<u>47</u>
Total expenses	<u>551</u>
Change in net assets	<u>\$ 48</u>

The Township' s Funds

Our analysis of the Township's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. Major funds for the fiscal year ended June 30, 2005 include the General Fund and the Debt Service Fund.

The General fund pays for most of the Township's governmental services. The primary services include community planning and zoning services, fire protection services, road maintenance and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

TOWNSHIP OF WHITE PIGEON

MANAGEMENT' S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

As shown in the required supplemental information, the Township budgeted an increase of \$15,710 in the original budget and a decrease of \$45,320 in the amended budget. Actual operating results ended up as a decrease of \$3,142.

The original budget for projected revenues was not amended. Actual results ended the fiscal year within \$22,256 of the amended budget.

The original budget was amended to reflect an increase in projected expenditures of \$61,030. Actual results ended the fiscal year within \$19,922 of the amended budget.

Capital Assets and Debt Administration

During the year ended June 30, 2005, the total capital assets of the Township increased by \$25,362 which was for fire safety equipment and was funded internally.

During the year ended June 30, 2005, the long-term debt obligations decreased by the scheduled principal payments of \$20,859 for the fire truck note payable and \$100,000 for the general obligation bond issue (Building Authority).

Contacting the Township' s Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township' s finances and to show the Township' s accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk' s office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF WHITE PIGEON

STATEMENT OF NET ASSETS
JUNE 30, 2005

<u>Primary Government</u>	<u>Component Units</u>
<u>Governmental Activities</u>	<u>Library</u>

ASSETS

Cash and investments	\$ 600,606	\$ 316,716
Receivables, net	56,604	2,319
Capital assets - net	<u>1,621,274</u>	<u>348,445</u>
Total assets	2,278,484	667,480

LIABILITIES

Accounts payable	12,478	1,556
Accrued and other liabilities	10,007	-
Deferred revenue	-	63,747
Debt obligations:		
Due within one year	121,823	-
Due in more than one year	<u>619,607</u>	<u>-</u>
Total liabilities	<u>763,915</u>	<u>65,303</u>

NET ASSETS

Invested in capital assets, net of related debt	879,844	348,445
Restricted:		
Debt service	203,062	-
Unrestricted	<u>431,663</u>	<u>253,732</u>
Total net assets	<u>\$ 1,514,569</u>	<u>\$ 602,177</u>

See accompanying notes to the financial statements

TOWNSHIP OF WHITE PIGEON

STATEMENT OF ACTIVITIES
JUNE 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 267,699	\$ 22,573	\$ 3,432	\$ -
Public safety	197,151	56,116	-	-
Public works	6,476	-	-	-
Community development	26,419	-	-	-
Recreation and culture	6,743	-	-	-
Interest on long-term debt	46,798	-	-	-
Total governmental activities	<u>\$ 551,286</u>	<u>\$ 78,689</u>	<u>\$ 3,432</u>	<u>\$ -</u>
Component unit				
Library	<u>\$ 131,273</u>	<u>\$ 1,315</u>	<u>\$ 25,567</u>	<u>\$ -</u>

General revenues:
Property taxes
State shared revenues
Unrestricted investment earnings
Miscellaneous

Total general revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

See accompanying notes to the financial statements

Net (Expense) Revenue and
Changes in Net Assets

Primary
Government

Governmental Activities	Component Unit
----------------------------	-------------------

\$ (241,694)	\$ -
(141,035)	-
(6,476)	-
(26,419)	-
(6,743)	-
<u>(46,798)</u>	<u>-</u>

(469,165) \$ -

\$ (104,391)

341,512	113,989
149,583	4,643
7,535	5,946
<u>18,759</u>	<u>7,095</u>

<u>517,389</u>	<u>131,673</u>
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48,224	27,282
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<u>1,466,345</u>	<u>574,895</u>
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<u>\$ 1,514,569</u>	<u>\$ 602,177</u>
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FUND FINANCIAL STATEMENTS

TOWNSHIP OF WHITE PIGEON

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2005

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 388,829	\$ 211,777	\$ 600,606
Accounts receivable	7,823	-	7,823
Due from other governmental units	48,781	-	48,781
Due from other funds	-	-	-
Prepaid expenditures	-	-	-
 Total assets	 <u>\$ 445,433</u>	 <u>\$ 211,777</u>	 <u>\$ 657,210</u>

LIABILITIES AND FUND BALANCE

LIABILITIES			
Accounts payable	\$ 12,478	\$ -	\$ 12,478
Accrued liabilities	1,292	-	1,292
Due to other funds	-	-	-
 Total liabilities	 13,770	 -	 13,770
 FUND BALANCE			
Reserved for debt retirement	-	211,777	211,777
Unreserved, undesignated	431,663	-	431,663
 Total fund balance	 431,663	 211,777	 643,440
 Total liabilities and fund balance	 <u>\$ 445,433</u>	 <u>\$ 211,777</u>	 <u>\$ 657,210</u>

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances \$ 643,440

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

Governmental capital assets	\$ 2,154,933	
Less accumulated depreciation	<u>(533,659)</u>	1,621,274

Certain liabilities are not due and payable in
the current period and therefore are not
reported in the funds.

Note payable	(121,430)
Bonds payable	(620,000)

Accrued interest payable on long-term liabilities is not included as a liability in governmental activities	<u>(8,715)</u>
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Net assets of governmental activities	<u>\$ 1,514,569</u>
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See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes and penalties	\$ 175,697	\$ 165,815	\$ 341,512
Licenses and permits	24,262	-	24,262
State grants	153,015	-	153,015
Charges for services	43,191	-	43,191
Interest	4,696	2,839	7,535
Other	<u>29,995</u>	<u>-</u>	<u>29,995</u>
Total revenues	430,856	168,654	599,510
EXPENDITURES			
General government	242,983	-	242,983
Public safety	98,291	-	98,291
Public works	6,476	-	6,476
Community development	26,419	-	26,419
Recreation and culture	6,743	-	6,743
Capital outlay	25,362	-	25,362
Debt service	<u>27,724</u>	<u>141,432</u>	<u>169,156</u>
Total expenditures	<u>433,998</u>	<u>141,432</u>	<u>575,430</u>
Excess (deficiency) of revenues over expenditures	(3,142)	27,222	24,080
FUND BALANCE - Beginning of year	<u>434,805</u>	<u>184,555</u>	<u>619,360</u>
FUND BALANCE - End of year	<u>\$ 431,663</u>	<u>\$ 211,777</u>	<u>\$ 643,440</u>

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ 24,080

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	25,362
Depreciation expense	(123,576)

Repayment of loan principal is an expenditure in the
governmental funds, but the repayment reduces
long-term liabilities in the statement of assets.

Principal payments on note	20,859
Principal payments on bond	100,000

Accrued interest is recorded in the statement of
activities when incurred; it is not reported in
governmental funds until paid

1,499

Change in net assets of governmental activities	<u>\$ 48,224</u>
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See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2005

Agency
Funds

ASSETS

Cash

\$ 20

LIABILITIES

Undistributed tax collections

\$ 20

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of White Pigeon conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to townships. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies establishing GAAP and used by the Township are discussed below.

The Township adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of July 1, 2004. Certain of the significant changes in GASB 34 include the following:

- * A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operation has been included with the financial statements.
- * Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- * Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$1,719,488, previously reported in the General Fixed Asset Account Group. In addition, the governmental activities column includes debt obligations totaling \$862,289 previously reported in the General Long-Term Debt Account Group.
- * A change in the fund financial statements to focus on major funds.

The Township also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2004. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or result of operations of any of the Township's funds as of and for the year ended June 30, 2005, but did change some of the disclosures required for the notes to the financial statements.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity

White Pigeon Township is located in St. Joseph County, Michigan, and provides services to approximately 2,220 residents in many areas including public safety, highways and streets, general administrative services, fire protection, and community enrichment and development. The Township is a general law township, and is governed by a 5-member board elected by the citizens of White Pigeon Township. The board consists of the supervisor, clerk, treasurer, and two trustees whom reside in the community.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Township (the primary government) and its component units, entities for which the Township is considered to be financially accountable. The component units discussed below are included in the Township's reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. Each blended and discretely presented component unit has a June 30 year-end.

Blended Component Units - Blended component units, although legally separate entities, are, in substance, part of Township operations and so data from these units are combined with data from the primary government.

Township of White Pigeon Building Authority - The Authority is governed by a three-member board appointed by the Township Board of Trustees. The Township is involved in the purchases by lease contract, of the fire station and improvements to the library building from the Authority. For financial reporting purposes, the Building Authority is reported as if it were part of the Township's operations since its sole purpose is to acquire and lease property to the Township.

Discretely Presented Component Units - The component units' columns in the government-wide financial statements include the financial data of the Township's other component units. These units are reported in a separate column to emphasize that they are legally separate from the Township.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

White Pigeon Township Library - The Library was created under Act 164 of 1877 MCL 397.210 and is governed by a separate Board of Directors. MCL 397.210 (3) requires that the Library Board provide the Township Supervisor an estimate of the amount of money necessary for the support and maintenance of the library for the ensuing years not exceeding the mills approved by the voters for the establishment of the public library. Complete financial statements of the White Pigeon Township Library can be obtained from their administrative office, 102 N. Kalamazoo Street, White Pigeon, MI 49099.

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Township and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Township reports the following major funds:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Debt Service Fund - is used to record tax, interest, other revenue for payment of principal, interest and other expenditures on the bond issue.

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of three major categories and various fund types within those categories into which the funds are grouped:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if it is collected within 60 days of the end of the current fiscal period. Property taxes, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of the governmental fund types of the Township:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Debt Service Fund - is used to record tax, interest, other revenue for payment of principal, interest and other expenditures on the bond issue.

Proprietary Funds - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The following is a description of the proprietary fund types of the Township:

Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs.

Agency Funds - Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * On or about June 30, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted to obtain taxpayer comments.
- * On or about April 1, the budget is legally enacted through passage of resolution.
- * The Township Board is authorized to transfer budgeted amounts within departments.
- * The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- * Appropriations for the general fund lapse at the end of the fiscal year.
- * Budgeted amounts are as originally adopted or as amended by the Board of Trustees.

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government of federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 (\$20,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning July 1, 2004. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	Depreciable <u>Life-Years</u>
Roads	40
Land improvements	15-30
Buildings and improvements	15-40
Machinery and equipment	5-20
Vehicles	2-7
Furniture and other	3-7

Deferred Revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - The Township's property taxes are levied as an enforceable lien on property as of December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and a portion of the taxes billed on behalf of other governments and school districts within the Township's boundaries. Real property taxes not collected as of March 1 are turned over to St. Joseph County for collection. The County advances the Township 100% for delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township's treasurer. The Township's property taxes levied on December 1 provide the revenue for the current fiscal year.

Taxes collected and remitted to other governments and school districts are accounted for in the Tax Collection Fund.

The assessed and state equalized taxable value of real and personal property located in the Township totaled \$133,520,731. The Township's general operating levy for the year was based on a millage rate of .9382. The Township's debt service levy for the year was based on a millage rate of 1.25.

Fund Equity - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits and investments are included on the balance sheet under the following classifications:

	<u>Primary Government</u>
Statement of Net Assets:	
Cash and cash equivalents	\$ 600,606
Statement of Fiduciary Net Assets:	
Cash	<u>20</u>
Total	<u>\$ 600,626</u>

Cash - Statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

At June 30, 2005, the book balance was \$600,626 and the bank balance (without recognition of outstanding checks or deposits in transit) was \$619,965, of which \$337,547 was insured by federal depository insurance and \$-0- was uninsured and uncollateralized. The balance of \$282,418 was invested in bank municipal investment funds which are not categorized by risk.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The carrying amount of deposits for White Pigeon Township Library, a discretely presented component unit, was \$316,716 and the bank balance was \$317,116. Of the bank balance \$317,116 is covered by federal depository insurance, and \$-0- is uninsured and uncollateralized.

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 - RECEIVABLES

Receivables as of year end for the Township's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	<u>General</u>
State revenue sharing	\$ 48,781
Metro Act funds	3,432
Election cost reimbursement	767
Fire runs	1,210
Fire uniform reimbursement	<u>2,414</u>
Gross receivables	56,604
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u>\$ 56,604</u>

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 47,480	\$ -	\$ -	\$ 47,480
Capital assets, being depreciated:				
Buildings and improvements	1,291,199	-	-	1,291,199
Fire safety equipment	752,107	25,362	-	777,469
Other equipment	<u>38,785</u>	<u>-</u>	<u>-</u>	<u>38,785</u>
Subtotal	2,082,091	25,362	-	2,107,453
Accumulated depreciation	<u>410,083</u>	<u>123,576</u>	<u>-</u>	<u>533,659</u>
Net capital assets being depreciated	<u>1,672,008</u>			<u>1,573,794</u>
Net capital assets	<u>\$ 1,719,488</u>			<u>\$ 1,621,274</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities	
General government	\$ 24,716
Public safety	<u>98,860</u>
	<u>\$ 123,576</u>

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS - Continued

Component Unit:

Capital assets activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
<u>Component Unit</u>				
Governmental activities				
Capital assets, being depreciated:				
Building and improvements	\$ 84,749	\$ 918	-	\$ 85,667
Equipment	53,168	8,865	-	62,033
Circulation inventory	231,517	11,616	-	243,133
Antiques	<u>9,910</u>	<u>-</u>	<u>-</u>	<u>9,910</u>
Subtotal	379,344	21,399	-	400,743
Accumulated depreciation	<u>25,120</u>	<u>27,178</u>	<u>-</u>	<u>52,298</u>
Net capital assets being depreciated	<u>\$ 354,224</u>			<u>\$ 348,445</u>

Depreciation expense was charged to functions/programs of the Component Unit as follows:

Governmental activities:

Library \$ 27,178

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - LONG-TERM DEBT

Long-term debt obligation activity can be summarized as follows:

	July 1, 2004	Additions	Reductions	June 30, 2005	Due Within One Year
Note payable	\$ 142,289	\$ -	\$ 20,859	\$ 121,430	\$ 21,823
General Obligation Bond	<u>720,000</u>	<u>-</u>	<u>100,000</u>	<u>620,000</u>	<u>100,000</u>
Totals	<u>\$ 862,289</u>	<u>\$ -</u>	<u>\$ 120,859</u>	<u>\$ 741,430</u>	<u>\$ 121,823</u>

Long-term debt payables at June 30, 2005, consisted of the following individual issues:

Note payable to bank, monthly payment of
\$2,310 including interest at 5.28%,
final payment due June 13, 2010,
secured by fire truck \$ 121,430

\$995,000 Building Authority unlimited tax
bonds of 2000 (fire station construction
and library building renovation) due in
annual installments of \$100,000 to
\$150,000 through April 1, 2010, interest
at 5.60% 620,000

Total \$ 741,430

The annual requirements to service the note outstanding to maturity, including both principal and interest, are as follows:

Year Ended June 30,	Principal	Interest	Total
2006	\$ 21,823	\$ 5,897	\$ 27,720
2007	23,005	4,715	27,720
2008	24,250	3,470	27,720
2009	25,562	2,158	27,720
2010	<u>26,790</u>	<u>930</u>	<u>27,720</u>
Total	<u>\$ 121,430</u>	<u>\$ 17,170</u>	<u>\$ 138,600</u>

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 5 - LONG-TERM DEBT - Continued

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 100,000	\$ 34,858	\$ 134,858
2007	100,000	29,107	129,107
2008	125,000	23,608	148,608
2009	145,000	16,670	161,670
2010	<u>150,000</u>	<u>8,550</u>	<u>158,550</u>
	<u>\$ 620,000</u>	<u>\$ 112,793</u>	<u>\$ 732,793</u>

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Township management and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted on a function level basis.

During the year ended June 30, 2005, the Township incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF WHITE PIGEON

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
REVENUES				
Taxes and penalties	\$ 163,600	\$ 163,600	\$ 175,697	\$ 12,097
Licenses and permits	22,000	22,000	24,262	2,262
State grants	149,000	149,000	153,015	4,015
Charges for services	42,100	42,100	43,191	1,091
Interest	5,000	5,000	4,696	(304)
Other	<u>26,900</u>	<u>26,900</u>	<u>29,995</u>	<u>3,095</u>
Total revenues	408,600	408,600	430,856	22,256
EXPENDITURES				
General government	229,110	253,820	242,983	10,837
Public safety	95,340	105,340	98,291	7,049
Public works	6,200	6,520	6,476	44
Community development	9,550	27,550	26,419	1,131
Recreation and culture	6,890	6,890	6,743	147
Capital outlay	18,000	26,000	25,362	638
Debt service	<u>27,800</u>	<u>27,800</u>	<u>27,724</u>	<u>76</u>
Total expenditures	<u>392,890</u>	<u>453,920</u>	<u>433,998</u>	<u>19,922</u>
Excess (deficiency) of revenues over expenditures	15,710	(45,320)	(3,142)	42,178
FUND BALANCE - Beginning of year	<u>434,805</u>	<u>434,805</u>	<u>434,805</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 450,515</u>	<u>\$ 389,485</u>	<u>\$ 431,663</u>	<u>\$ 42,178</u>